

Submitted via Qualtrics

**Fidelity International
Company / Organisation
Investment Manager**

Question 1

Do you agree to upgrade climate-related disclosures to mandatory from "comply or explain"?

Yes

Please provide reasons for your views.

We commend the HKEX for enhancing standards for Hong Kong-listed companies and support the intention to upgrade climate-related disclosures to mandatory from "comply or explain".

Apart from climate-related information being crucial for investors in conducting risk and investment analysis to ensure long-term shareholder value creation, such information is also essential from a macro level for the market to ensure and track progress as we transition into a low-carbon economy.

At Fidelity, we introduced voting policies on climate change to support the implementation of the Paris Agreement and limit global warming to well below 2 degrees Celsius. Where companies fall short of our minimum expectations, we will vote against management. The upgrade from "comply or explain" will improve disclosure and ideally prompt more urgent actions from issuers and ensure issuers remain competitive in the global market.

Question 2

Do you agree to introduce new governance disclosures focusing on climate-related issues as set out in paragraph 1 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Governance disclosure is material information that could reasonably be expected to influence investor decisions.

We encourage HKEX to consider aligning disclosures around "trade-off considerations" from IFRS S2 in Appendix 27 Paragraph 1(d) [how the board and its committees consider climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major

transactions, and its risk management policies] for full alignment. Oftentimes an issuer must make decisions based on limited resources. As such, it is useful for investors to understand the key priorities, considerations, and trade-offs made in decision-making.

We also encourage aligning disclosure around how internal controls are integrated with other internal functions from IFRS S2 in Appendix 27 Paragraph 1(f)(iii) [whether dedicated controls and procedures are applied to the issuer's management of climate-related risks and opportunities.] As issuers develop the internal resources and governance framework to manage climate and other sustainability topics, it is useful for external stakeholders to understand how these new functions are integrated within the original risk and management framework or strategy functions.

Question 3

Do you agree to require disclosure of climate-related risks as set out in paragraph 2 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Climate-related risks are material information that could reasonably be expected to influence investor decisions.

Question 4

Do you agree that issuers may opt to disclose the actual and potential effects of climate-related opportunities they may have identified in response to climate-related risks disclosed as set out in paragraph 3 of Part D of the Proposed Appendix 27?

No

Please provide reasons for your views.

We encourage the HKEX to consider alignment with IFRS S2 in requiring climate-related opportunities disclosure alongside climate-related risk. Apart from risks, we are keen to understand the opportunities issuers have identified and how it plans to capitalize on it - it is important for the market to identify not just those who will survive, but those that will thrive in order to enable the deployment of capital to sustainable and transitioning issuers. We also note that climate-related opportunities are key aspects of the TCFD framework.

Question 5

Do you agree that an issuer shall consider the applicability of and disclose the metrics when assessing and making disclosure of climate-related risks and opportunities as set out in paragraph 4 of Part D of the Proposed Appendix 27?

Please provide reasons for your views.

Question 6

Do you agree to require disclosure of how the issuer is responding to climate-related risks and, where an issuer chooses to, any climate-related opportunities as set out in paragraph 5 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Transition plans are material information that could reasonably be expected to influence investor decisions.

We encourage alignment with IFRS S2 in requiring disclosure on climate-related opportunities in transition plans, in line with our suggestion for the governance section in paragraph 3. We also encourage retaining disclosure on “dependencies” on which the entity’s transition plan relies on. It is likely that successful business transition in a low-carbon economy will rely on various external factors. As such, it is important for investors to understand the key dependencies that transition plans rely on to put transition plans into context.

Question 7

Do you agree to require disclosure of climate-related targets set by the issuer as set out in paragraph 6 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Setting and disclosing forward-looking targets is a key way issuers can demonstrate real commitment to stated goals to all stakeholders. Having clear, measurable goals can help companies stay on track, measure progress and ensure adequate oversight, and allow stakeholders to monitor progress as well. Therefore, we agree with the proposal to require disclosure of climate-related targets set by the issuer.

We encourage alignment with IFRS S2 on the details of climate-related target disclosure. We find IFRS S2 paragraph 34 -36 particularly useful for investors to put target disclosures into context. For example, during engagements with companies, we often seek further information on whether a target has been validated by a third-party, an entity’s process for reviewing the

target, and explanations on target revisions if any. Similarly, the details in paragraph 35-36, including but not limited to changes in the entity's performance and types of greenhouse gas covered are all relevant information for investors to understand the nuances of each company's climate management. As the need for more in-depth analysis increase, the need for detailed disclosure rises as well and having such information from the get-go would allow following conversations with companies to focus on deeper strategic topics rather than fact-finding. Overall, we encourage HKEX to consider aligning on target-setting disclosure with IFRS S2 to the extent possible or make divergencies 'disclose if applicable' rather than complete omission to encourage issuers to make such disclosures and increase communication efficiency with stakeholders.

Question 8

Do you agree that where an issuer has yet to disclose climate-related targets, it should make alternative disclosures as set out in note 2 to paragraph 6 of Part D of the Proposed Appendix 27?

No

Please provide reasons for your views.

While we understand the HKEX is taking into account factors such as the current readiness of Hong Kong issuers, we encourage the HKEX to consider adopting a hard deadline for target-setting given the important role it plays in helping internal and external stakeholders monitor progress that is integral to transition plans. To balance the consideration regarding current readiness of Hong Kong issuers, we encourage focusing on issuers in material sectors first, such as the 68 industries highlighted by IFRS S2 in the Accompanying Guide.

Question 9

Do you agree to require disclosure of progress made in the most recent reporting year in respect of plans disclosed as set out in paragraph 7 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of progress made is material information that could reasonably be expected to influence investor decisions.

Question 10

Do you agree to require discussion of the issuer's climate resilience as set out in paragraph 8 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of climate resilience information is material information that could reasonably be expected to influence investor decisions.

We encourage the HKEX to consider including IFRS S2 paragraph 22(a)(2) “the entity’s ability to redeploy, repurchase, upgrade or decommission existing assets” as other examples in paragraph 8(d) regarding an issuer’s ability to adjust or adapt its business. We believe such guidance would be beneficial for sectors with stranded asset risks and facilitate transparency.

Question 11

Do you agree to require issuers to apply a climate-related scenario analysis that is commensurate with the issuer's circumstances, and to require disclosure of information on climate-related scenario analysis as set out in paragraph 9 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of climate-related scenario analysis is material information that could reasonably be expected to influence investor decisions.

We are supportive of scenario analysis conducted in a manner that is commensurate with the issuer’s circumstances, and we believe any further explanatory notes and/or localized guidance from the HKEX as mentioned in paragraph 91 of the Consultation Paper will be widely appreciated by the market.

Question 12

Do you agree to require disclosure of the current financial effects of climate-related risks, and where applicable, climate-related opportunities as set out in paragraph 10 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of current financial effects of climate-related risks and opportunities is material information that could reasonably be expected to influence investor decisions.

Similar to our response in Q4 and Q6, we encourage disclosures on both climate-related risks and opportunities.

Question 13

Do you agree that during the Interim Period, where an issuer has yet to provide quantitative disclosures pursuant to paragraph 10(a) of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 10 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

While it is preferable to have quantitative information on the current financial effect of climate-related risks and opportunities, such information will only be valuable to the degree issuers have reasonable confidence in. We note that in the final IFRS S2 paragraph 19, entities are allowed flexibilities in providing quantitative information about current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that (a) those effects are not separately identifiable; or (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful. We encourage the HKEX to consider adopting such flexibilities as well to ensure the usefulness of information provided.

Question 14

Do you agree to require disclosure of anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities as set out in paragraph 11 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of anticipated financial effects of climate-related risks and opportunities is material information that could reasonably be expected to influence investor decisions.

Similar to our response in Q4 and Q6, we encourage disclosures on both climate-related risks and opportunities.

Question 15

Do you agree that during the Interim Period, where an issuer has yet to provide information required in paragraph 11 of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 11 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

We note there is flexibility provided in IFRS S2 regarding providing quantitative information about anticipated financial effects of climate-related risk or opportunity, as mentioned in our response in Q13. In addition to flexibility provided due to effects not separately identifiable and level of uncertainty too high, we note that IFRS S2 also provides flexibility for entities that does not have the skills, capabilities, or resources to provide anticipated financial effect (IFRS S2 paragraph 20). We encourage the HKEX to align with IFRS S2 in this regard as we appreciate it will take time for issuers to build up the necessary capacities.

Question 16

Do you agree to require disclosure of the process an issuer uses to identify, assess and manage climate-related risks as set out in paragraph 12(a) of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of the process an issuer uses to identify, assess and manage climate-related risks is material information that could reasonably be expected to influence investor decisions.

Question 17

Do you agree that issuers may opt to disclose the process used to identify, assess and manage climate-related opportunities as set out in paragraph 12(b) of Part D of the Proposed Appendix 27?

No

Please provide reasons for your views.

Similar to our response in Q4 and Q6, we encourage disclosures on both climate-related risks and opportunities.

Question 18(a)

Do you agree with the proposed approach for the disclosure of scope 1 and scope 2 emissions and the related information as set out in paragraphs 13 to 14 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of scope 1 and 2 emissions and their related information is material information that could reasonably be expected to influence investor decisions.

We encourage further alignment with IFRS S2 on the related information of GHG emissions, including disclosure of Scope 2 GHG emissions using a location-based approach and information about contractual instruments if applicable, and the reasons for the entity's choice of measurement approach in Appendix 27 14(b). In addition, we suggest encouraging the use of the GHG Protocol as the default measurement standard unless the entity is required to use a different protocol by a local legislation.

Question 18(b)

Do you agree with the proposed approach for the disclosure of scope 3 emissions and the related information as set out in paragraphs 13 to 15 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of scope 3 emissions is material information that could reasonably be expected to influence investor decisions.

Similar to scenario analysis, we believe further guidance regarding Scope 3 emissions in the upcoming Implementation Guidance will be appreciated by all stakeholders.

Question 19

Do you agree with the proposed approach for the interim disclosures in respect of scope 3 emissions during the Interim Period as set out in the paragraph immediately following paragraph 15 of Part D of the Proposed Appendix 27?

Please provide reasons for your views.

Question 20(a)

Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to transition risks as set out in paragraph 16 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of amount and percentage of assets or business activities vulnerable to transition risk is material information that could reasonably be expected to influence investor decisions. Such information will allow investors to put relevant risks into context of each individual issuer.

Given the complexities involved to provide such information, we encourage focusing on issuers in material sectors first, such as the 68 industries highlighted by IFRS S2 in the Accompanying Guide.

Question 20(b)

Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding transition risks as set out in the paragraph immediately following paragraph 16 of Part D of the Proposed Appendix 27?

Please provide reasons for your views.

Question 21(a)

Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to physical risks as set out in paragraph 17 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of climate-related physical risk is material information that could reasonably be expected to influence investor decisions. Such information will allow investors to put relevant risks into context of each individual issuer.

Question 21(b)

Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding physical risks as set out in the paragraph immediately following paragraph 17 of Part D of the Proposed Appendix 27?

Please provide reasons for your views.

Question 22(a)

Do you agree to require disclosure of the amount and percentage of assets or business activities aligned with climate-related opportunities as set out in paragraph 18 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of climate-related opportunities is material information that could reasonably be expected to influence investor decisions. Such information will allow investors to put relevant opportunities into context of each individual issuer.

Question 22(b)

Do you agree with the proposed interim disclosures during the Interim Period in respect of metrics regarding climate-related opportunities as set out in the paragraph immediately following paragraph 18 of Part D of the Proposed Appendix 27?

Please provide reasons for your views.

Question 23(a)

Do you agree to require disclosure of the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities as set out in paragraph 19 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Disclosure of the amount of resources deployed towards climate management is material information that could reasonably be expected to influence investor decisions. Similar to target-setting, such information would allow investors to understand and monitor progress towards goals.

Question 23(b)

Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding capital deployment as set out in the paragraph immediately following paragraph 19 of Part D of the Proposed Appendix 27?

Please provide reasons for your views.

Question 24

Do you agree that where an issuer maintains an internal carbon price, it should disclose the information as set out in paragraph 20 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Internal carbon pricing is a useful tool for investors to understand how issuers view and integrate carbon management into daily business strategy.

Question 25

Do you agree with the proposed approach for the disclosure of how climate-related considerations are factored into remuneration policy as set out in paragraph 21 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Remuneration policies is an important aspect of governance that ensures alignment of management with that of its shareholders/investors. As we believe effective management on climate risks and opportunities is essential to a company's sustainable development, it follows that remuneration policies should reflect this.

We observe that the proposed approach does not require the percentage and amount of climate-related remuneration as mentioned in IFRS S2. We understand this is in consideration of the remuneration disclosure practices of the Hong Kong market, and we agree that in lieu of percentage and absolute amount, disclosure of specific ESG-related KPIs, the weightage assigned, and the linkage to final remuneration may be more useful for investors at this stage.

Question 26

Do you agree with the proposed approach for the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards as set out in paragraph 22 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

We encourage the HKEX to align with IFRS S2 in regard to industry-based disclosure requirement from “encourage” to “shall consider”, and further aligning on referring to and considering the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance. We reiterate the importance of comparability and consistency of climate-related disclosures to ensure information remains useful and relevant.

Question 27

Do you have any comments regarding whether the manner in which the proposed consequential amendments are drafted will give rise to any ambiguities or unintended consequences?

Yes

Please elaborate.

We note that in the Proposed Appendix 27 Part C - A Environmental section, the definition of greenhouse gases is inconsistent with the seven greenhouse gases listed in the Kyoto Protocol. To avoid confusion, we suggest repealing references to greenhouse gas in this section along with other greenhouse gas mentions.

Question 28

Do you have any comments regarding the topics/matters that we intend to give guidance on?

No

Is there any particular topic/matter you consider further guidance to be helpful?

Yes

Please elaborate.

As indicated in question 11 and 18, we believe further guidance on Scope 3 and scenario analysis will be beneficial.

Question 29

Do you have any feedback on the new developments announced by the ISSB subsequent to the publication of this paper that may impact on the proposals in this paper?

Yes

Please share your views with us.

Global standards on sustainability disclosures are essential for international asset managers like Fidelity International to manage systemic sustainability risks on behalf of our clients and to

enable the deployment of capital to sustainable and transitioning issuers. Globalization has resulted in a more interconnected international environment making it more important, from both a strategic and economic perspective, that domestic regulatory frameworks and legal requirements should, to the extent practicable, align with international best practice standards. If this objective is achieved, this will enable reporting entities to respond to increasing existing and potential investor demands for more consistent, comprehensive, reliable and comparable climate disclosure, which will in turn allow entities to remain competitive in the global market.

The IFRS S1 and S2 represent an important step forward towards delivering consistent and comparable disclosures needed for the genuine assessment of an issuers sustainability credentials and we welcome the HKEX moving to enhance climate-related disclosures to ensure the market's ESG frameworks reflects international developments.

We appreciate HKEX considering the state-of-readiness and capabilities of Hong Kong listed issuers and agree the necessity of a balanced and pragmatic approach for some topics (as indicated in our response in Question 25). Nevertheless, we encourage the HKEX to review the inaugural IFRS S1 and S2 that was published during the consultation period to deliberate further alignment to the extent possible. Furthermore, it would be helpful to understand the HKEX's plan regarding S1 going forward as it plays an important role in setting a global baseline on sustainability-related disclosures beyond the topic of climate.